

Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at http://about.jstor.org/participate-jstor/individuals/early-journal-content.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

NORTH AMERICAN REVIEW.

No. CCLIX.

NOVEMBER-DECEMBER, 1877.

ART. I. — RESUMPTION OF SPECIE PAYMENTS.

Opinion of Hugh McCulloch.

ALL the great financial troubles which have occurred in the United States have been the result of a plethora of paper money, and the crisis has always been reached when its volume was the largest.

Up to the passage of the legal-tender acts, the protection against continued over-issues existed in the power of the States over their banking institutions, and in the force of public sentiment. In most, if not in all, of the States, banks forfeited their charters by suspension; and their suspension was tolerated for such a period only as was necessary to enable them to resume without too severe pressure upon their debtors, and too great disturbance to business. The suspension of the banks put a check at once upon credit and an end to over-trading and speculation. No such corrective power now exists.

Although the germs of mischief were contained in the legal-tender acts, they would have been comparatively harmless if a most important provision which they contained had not been repealed. They were a *war measure only*, and members of Congress justified the votes in their favor on the ground that the notes whose issue they authorized were absolutely necessary to "float" the bonds which were to be offered to the public. Hence the

notes were made convertible into the five-twenty bonds, which it was supposed would rapidly absorb them. So sound was the sentiment of Congress at that time that I hazard nothing in saying that, without this provision, the legal-tender acts could not have been passed; and it is worthy of remark,—so absorbed were the people of the loyal States in the prosecution of the war, or so engaged in the pursuit of gains which the enormous expenditures of the government placed within their reach,—that the act repealing this provision was passed without opposition, and had been for months upon the statute-book before one man in a thousand was aware of its existence; and yet that act was more far reaching and injurious in its consequences than any other act passed during the war. But for it the legal-tender notes would have been quietly retired soon after the close of the war, and the country would have been saved from that sea of trouble which subsequently overwhelmed it. But the movement in the wrong direction did not stop here. In 1869 the Supreme Court decided, in a case which had been for a long time upon the calendar, that while Congress had the right, under the Constitution, to issue notes and to make them a tender in all *future* transactions, it could not, without impairing the validity of contracts, make them lawful money in satisfaction of debts *previously* contracted. This decision, although a great surprise to all who agreed with Mr. Webster, that Congress had no power, under any circumstances or for any purpose, to make anything except gold and silver a legal tender, was not satisfactory to the head of the government. There were, at the time when this decision was rendered, two vacancies on the bench of the Supreme Court, and there can be no question that these vacancies were filled as they were, for the purpose of having that decision overruled. Nobody doubts the ability or integrity of the gentlemen who were appointed to fill these vacancies. They command, and rightfully, the esteem and respect of the bar and the public, and to such a degree that it is no disparagement to them that they are indebted for their appointment to the fact that they were already committed, by decisions made by them in State courts, to the full and absolute constitutionality of the legal-tender acts. The overruling of the decision which was so obnoxious to the President followed close upon their appointment, and the right of Congress to make irredeemable

promises lawful money in satisfaction of all contracts was definitely established. Fortunately, however, the *logic* of this second decision is against the power of Congress to authorize the issue of notes for circulation in a time of peace, and the country may yet be protected against continued issues of legal-tender notes by a decision of the same court that such issues are only lawful when necessity becomes superior to law.

But I am wandering from the consideration of the question upon which my opinion has been asked. Ought resumption at an early day to be attempted, and how shall it be effected? Although there are men of great intelligence who regard gold payments as a delusion, and all efforts to restore the gold standard as misguided, the sober sense of the people is undeniably in favor of resumption as soon as it can be effected without too great a strain upon industry and enterprise. The government is pledged to the redemption of its notes in gold on the first day of January, 1879. Can this pledge be made good? It is very certain, to say the least, that it was inconsiderately made. Before the late civil war the largest amount of paper money in circulation was $214,000,000. When the Act of 1875 was passed, the paper money in circulation exceeded $700,000,000; and it has not been much reduced, nor has the specie in the country been considerably increased since that time. It was unquestionably hazardous to pledge the government to a redemption of its notes at the time named, — heavily indebted as the country was to foreign nations, — without legislation calculated to improve its financial condition. Enlightened statesmanship would have dictated the adoption of measures for bringing about payment by the government and resumption by the banks without fixing the day. The same act which pledged the government to the redemption of its notes in 1879 prohibited it from reducing them below $300,000,000, and the indications now are that without further legislation the outstanding paper currency will not be reduced within the next fifteen months below $600,000,000. How much of the coin reported to be in the treasury is gold, and available for the purposes of redemption, I have no means of knowing, but I shall be greatly surprised if the 1st of January, 1879, finds the country in possession of $130,000,000.

It must be borne in mind that trade between nations is barter, — that if we sell largely we must buy largely. We have no right

to expect that any considerable amount of our exports will be paid for in gold. It is absurd for us to expect that this will be the case while some six or seven hundred millions of our securities of different kinds are held in Europe. The exchanges are now in favor of the United States, and our bountiful crops and the Eastern War may increase the balances. This fact, however, gives no assurance of any considerable inflow of coin. In place of gold we shall get securities, in many respects the most desirable of importations. Some millions of government bonds have been returned during the present year, and it is more than probable that this healthy current will continue. Our foreign trade is undoubtedly in a most satisfactory condition, but for this we are indebted to our bountiful crops and to the Eastern War rather than to legislation.

In spite of unwise revenue laws, and without any definite and intelligent financial policy, circumstances which could not have been foreseen or reasonably anticipated are clearing the way for the restoration of confidence and prosperity. Let us not, however, count too much upon our present advantages. The Eastern War may not be extended nor for any considerable period protracted, and the next season may be less favorable than the present has been to agriculture, our foreign trade less lucrative. We have a grand country, abounding in resources, the development of which is yet in its infancy, but in *acquired* wealth we are far behind the leading nations of Europe. Our civil war greatly impoverished us, and since the war we have suffered beyond estimate by the demoralization and wastefulness engendered by an irredeemable and dishonest currency. Let us not be deceived by the tide which is now setting in our favor, nor base hopes that may be disappointed upon its continuance. Let us bear in mind that nearly all the great manufacturing interests are still greatly depressed, and that it is mainly our bountiful harvests that is making us hopeful as we are in regard to the future.

What then shall be done? Shall the Redemption Act of 1875 be repealed, and the restoration of the gold standard delayed, until, without the reduction of the volume of paper money, it is brought about by the natural increase of wealth and population? Certainly not. The Resumption Act without supporting legislation was unwise, but the repeal of it would be more discreditable than the failure literally to comply with it. Although there can be no reliable

resumption until the gold coin in the country approximates much more closely than it now does to the paper in circulation, the indications are decided that before the 1st of January, 1879, the gold premium will be so reduced that a postponement of actual resumption will not prejudice the national credit. It certainly will not, if in the mean time such measures are adopted as will bring about the gradual but certain retirement of the legal-tender notes. Apt as the Democratic party has been in blundering since the repeal of the Missouri Compromise, it will excel itself in this direction if it take upon itself the responsibility of repealing the Resumption Act, and relieving its author (for which relief he would doubtless be profoundly grateful) from the responsibility he has assumed. The act ought not to be repealed, but measures should at once be adopted for funding the legal-tender notes. Under existing law these notes can be retired — not, however, below $300,000,000, — by sales of bonds for gold and sales of gold for notes. This is not only a roundabout process, but it clothes the Secretary with a power of disturbing the market which might be improperly used.

The legal-tender notes — a deception from the beginning — have been a most prolific source of mischief, and there will be no reliable soundness in our financial system, no cessation of political strife over the currency question, until means are provided for their absolute withdrawal. This can be done, and without prejudice to trade in any of its branches, by a simple re-enactment of the provision for the conversion of the notes into bonds, without which, as I have already remarked, the legal-tender acts could not have been passed. Bonds bearing four or four and a half per cent interest would gradually retire these notes, and, as retired, their place would be filled with gold. None but men of a highly sanguine temperament can expect that specie payments can be resumed and maintained with six hundred millions of paper money in circulation. To supplement the amount of gold in the country, I should favor an increased issue of gold notes. Fifty millions of these notes, properly distributed, might be safely held by the banks as a part of their reserve, very few of which would ever be returned for payment. In addition to such simple measures as these, a time should be fixed by law, say the 1st of January, 1880, after which United States notes should cease to be a legal tender.

There are, I know, many fair-minded men who are apprehensive that any steps which may be taken to reduce the currency must lead to a large reduction of prices. For this apprehension there is slight foundation. It exists especially in the manufacturing and agricultural districts, although there has never been a period in which the productions of these districts have failed to bring remunerative prices by reason of a scarcity of money. There have been periods of great depressions, but this depression has always been brought about by altogether different causes. Real estate and all the chief productions of the country have commanded higher prices than they now do, when the amount of currency in circulation was less than $ 200,000,000. The great decline in prices, commencing in September, 1873, has taken place in spite of the fact that money has been abundant and superabundant. I speak advisedly when I say that the great staples of the West command, and have always commanded, full prices, according to the all-controlling law of supply and demand. Nineteen-twentieths of the men who have been engaged in purchasing and shipping Western products to the seaboard and to foreign ports have not only failed to realize profits, but have been bankrupted by their operations. Low prices, business stagnation, hard times, follow financial disorder, and this disorder is born of inflation. The crash of 1873 and the depression following would not have occurred if the currency needed only for the payment of soldiers and sailors and the purchase of army and navy supplies during the war had been withdrawn at its close. Nobody now thinks that the country was prosperous during the war, or that the demand for money for a healthy trade was greater in 1866 than it was in 1861, and yet the amount in circulation was increased, as has been stated, during that period from two hundred millions to nearly seven hundred millions of dollars. The Secretary of the Treasury uttered only the words of truth and soberness when he said at Fort Wayne, twelve years ago, when municipal indebtedness was eight hundred million and individual indebtedness perhaps a thousand million dollars less than they now are: —

"We are measuring values by a false standard. We have a circulating medium altogether greater than is needed for legitimate business; the excess is used in speculation. The longer the inflation continues,

the more difficult will it be to get back to the solid ground of specie payments, to which we must return sooner or later. If Congress shall early in the approaching session authorize the funding of legal tenders, and the work of reduction is carried on resolutely but carefully and prudently, we shall reach it probably without serious embarrassment to business. If not, we shall have a brief period of hollow and seductive prosperity, to be followed by wide-spread bankruptcy and disaster."

But may not resumption be aided by the remonetization of silver? The answer to this question depends upon what is meant by resumption. If the payment of United States notes and bank-notes in silver according to the standard of the old silver dollar, or any standard which will be satisfactory to the advocates of a double standard, would be resumption, then all that is needed is remonetization. This effected, resumption would be an accomplished fact, and the country would have a paper currency so much better than the article into which it is convertible, that not a dollar of it would be returned for payment. If, however, it is expected that by a double standard the notes of the government and the banks could more easily be brought up to gold value, that expectation can never be realized. It was Mr. John Quincy Adams, I think, who said he could not see how teachers of phrenology could ever look each other in the face without laughing. It is more difficult to understand how gentlemen who advocate at the same time the remonetization of silver and resumption can meet each other with sober countenances. A double standard means a silver standard. The adoption of it would make gold an article of commerce, and drive it out of the country. It would be exceedingly damaging to the government credit, and put an end to funding its six per cents into bonds bearing a lower rate of interest. The commercial world has outgrown the use of silver as a standard of value. It exists as such only in Oriental nations, and in poverty-stricken nations of Europe and Central and South America. In France, where the double standard nominally exists, the coinage of silver is being restricted for the purpose of reducing the amount in circulation to what may be required in small transactions. Bismarck, the wisest and most far-seeing statesman of the age, at great national expense, and at no little disturbance to the money markets of the world, has sub-

stituted the single gold standard for the double standard heretofore existing in the states which his genius has consolidated into an Empire. Holland and Belgium are following the example of their powerful neighbor as rapidly as they can do it, without too great loss and inconvenience to their people. The higher law which makes gold the standard in all large commercial transactions, and silver a subsidiary currency only, is prevailing, and will prevail among the most enlightened nations, and the people of the United States will make a capital mistake if they stand in the way of it. The adoption of silver as a standard would perpetuate the disadvantages to which we have been subjected by the legal-tender notes in our commercial relations with countries which, like Great Britain, maintain, and must be greatly benefited by maintaining, the higher standard of gold. It would ally the United States with India and China, and prevent our commercial cities from competing, or even attempting to compete, with London in the business of international exchange. When and where will foreign bills on New York be salable, if they are to be payable in an article the value of which cannot be accurately estimated sixty days in advance? If we are wise, we shall aim to make the eagle what the sovereign has been to Great Britain, and thus to acquire among the nations the financial position which, as the greatest producing nation of the world, is within our reach. I have no time to argue this question, and I have already exceeded the limits to which I have been restricted. I should not have thus briefly referred to it, if I did not consider the heresy of a double standard, which finds its heartiest advocates among those who believe in *cheap money* as essential to individual and national prosperity, eminently dangerous. It is to be regretted that the position of the President and the Secretary of the Treasury in regard to a question so important has not been clearly defined.

HUGH MCCULLOCH.

Opinion of William D. Kelley.

THE space allotted to this article permits but an imperfect statement of the facts which preclude the possibility of resuming specie payments at the time fixed by statute, and of the terrible but

inevitable consequences of the relentless but ineffectual efforts of the government in that direction.

The paralysis of the industries and trade of the commercial nations of the world, except France and Italy, — the former of which uses as money gold, silver, and irredeemable paper, and the latter, whose foreign commerce, as we were recently informed by M. Lavaleye, is increasing more rapidly than that of any other nation, uses inconvertible paper money exclusively, — is due to the disregard by Germany and the United States of two primal laws: first, that it is labor that supports society and provides revenue for governments; and second, that market-values the world over adjust themselves to the volume of money in use by the commercial nations at any given time.

Secretary McCulloch disregarded these laws when he issued from Fort Wayne his threat of early resumption, and shortly after enforced it by an official letter to his European agent, Mr. George Walker, announcing that, by aid of his plan to absorb our paper money by converting it into long gold-bearing bonds, we should resume specie payments before the maturity of the 7.30 and compound-interest notes. These manifestoes were notice to capitalists that the money of the country was to be so contracted as to greatly reduce prices, and that they would, therefore, do well to postpone contemplated purchases and avoid investments in undertakings, the productions of which must be sold on a declining market; and, on the other hand, it was notice to debtors that, if they would have their encumbered property satisfy existing liabilities, they must sell before the shrinkage had made much progress. Under these menaces confidence withered, and those who had labor to sell found a constantly diminishing demand and rate of wages for their services.

The Resumption Act was the result of party caucus and parliamentary tactics. Had debate been permitted in either House, the laws referred to would have been brought to the attention of the country, and the immense number of citizens who were already suffering from the withdrawal of the many forms of certificates of national credit which had been legal tender and held by the banks as part of their reserve, would have made themselves heard, and would, I believe, have defeated the measure. To accomplish this, they had but to bring to the attention of Senators and members

the fact that the act proposed to pledge the country to the payment in gold, for silver had been demonetized, after the 1st of January, 1879, not only greenbacks and bank-notes, but all debts, whether due by the government, States, municipalities, corporations, or citizens. It is true that our national, State, and corporate bonds, so largely held by foreigners, are not due and demandable from the authority that issued them; but it is equally true that, as they may be sold in our markets and the proceeds be drawn for in gold, they are practically overdue, — a fact which in itself proves that the proudest nation, if unduly indebted to foreigners, is the slave of its creditor.

The draft by the Bank of England of but $7,000,000 in specie produced the bank suspension and financial crisis of 1857, and it cannot be believed that the people, remembering that fact, would have permitted their representatives to subject them to so fearful a liability as this law imposes. It is marvellous that the banks and bankers of the country did not protest against its passage. They held over two thousand millions of deposits, every dollar of which may be called for in gold on the day this law goes into effect. Whence are they to obtain the gold to make a plausible showing of ability to meet these liabilities? From the Treasury? Whence can the government hope to obtain it? Not from Europe, for when, by the operations of the syndicate, we were entitled to draw $21,000,000 of gold, we have it upon the authority of Mr. Boutwell, then Secretary of the Treasury, that the Bank of England interposed and threatened to destroy the British market for our bonds if the government did not pledge itself to abstain from taking bullion in settlement of the claim. He also told us that when the $15,500,000 due under the Geneva award were to be paid, the government of England, at the instance of the Bank, induced the State Department to interpose and prevent the Treasury from demanding payment in accordance with the terms of the award, because the abstraction from the markets of Europe of that small amount of bullion would produce a general financial crisis. But, as if to emphasize these examples, the London Times has, within a week, announced that the question as to whether the proceeds of the proposed $3,000,000 Indian loan will be exported in gold or disbursed at home in payment of Indian debts is exciting a perturbation in the market. Need I, in view of the petty amount of gold

held by the Treasury and banks, go further to prove that resumption on the appointed day is impossible?

The French method of approaching resumption is in strange contrast with ours. Hers has been to keep all her people employed in converting the raw materials she can produce into commodities with which to purchase bullion; while ours continues to be to deprive labor of remunerative wages or of employment, and to thus contract the ability of the laborers to maintain our home market for agricultural and other products. Had the French government pursued our method, it would have invoked revolution. The laborers at many of our industrial centres are idle, impoverished, discontented; the assessed value of real estate in our cities diminishes annually; our imports fall off to such an extent that a large increase in quantity in exports, but which is hardly appreciable when measured by the reduced prices at which they are sold, shows a large balance of trade in our favor, and our capitalists, except those whose investments are in bank-stocks, or who deal in government securities, are paying their taxes, national, State, and local, out of their principal, and not, as taxes should be paid, out of their current profits. Such are the inevitable results, foretold by sagacious men, of our attempt to reach specie payments by contracting a volume of legal tender which was, in the main, actively, legitimately, and profitably employed.

In his recent letter to the President, Henry C. Carey truly said: —

"Our people have in the short space of thirty months been taxed in destruction of the value of property to the extent of not less than $30,000,000,000, or thrice as much as the total cost of the recent war to both North and South, the shrinkage thus enforced having been accompanied by bankruptcy of savings-banks, insurance companies, and other moneyed institutions, to the utter ruin of thousands and tens of thousands of depositors and stockholders, men and women, wives and children; by a destruction of railroad property and impoverishment of its holders that counts by thousands of millions; by a collapse of that coal region which had given to the Union, in the time of its greatest need, nearly all the force required for maintaining the blockade, for running our mills and furnaces, for enabling our people to contribute to the revenue; by a destruction of demand for labor that causes hundreds of thousands of men and women to remain idle when they would

desire to be employed; by an almost entire annihilation of that immigration to which we ought at this moment to be becoming daily more and more indebted for importation of working men and women whose annual value to the nation counted by hundreds of millions; by a decay of moral feeling consequent upon the daily increasing difficulty of obtaining food, clothing, and shelter by any exertion of honest effort; by an almost entire disappearance of that activity and energy which prevailed among our people when they were animated by hope, — by that faith in the future which has now, by aid of successive finance-ministers who have followed in the footsteps of Secretary McCulloch, given way to an almost universal feeling of despair; and by a total disappearance of that national self-respect which had existed when, setting at defiance the threats of foreign bankers, our people in the days of its most serious trouble gave to their government all the aid it needed, and thus established a monetary independence such as we never before had known, and whose destruction has, by Secretary McCulloch and his successors to the present hour, been since so sedulously sought."

The question I submit is, Do not our financial methods tend rather to repudiation than to resumption?

WM. D. KELLEY.

Opinion of David A. Wells.

Can the obligations of the Resumption Act be constitutionally repealed or questioned?

The Resumption Act provides that, "on and after the 1st day of January, 1879, the Secretary of the Treasury shall redeem in coin the United States legal-tender notes then outstanding, on their presentation for redemption, at the office of the Assistant Treasurer of the United States, in the city of New York, in sums of not less than fifty dollars." This is a plain and distinct obligation, which runs with every legal-tender note as a negotiable instrument, — the evidence of a liquidated sum, — and which cannot be violated without a plain and distinct violation of the 4th section of the 14th article of the Federal Constitution, which declares that "*the validity of the public debt of the United States authorized by law, shall never be questioned*"; nor can any member of Congress, it would seem, vote for the repeal of the Resumption Act without violating his oath to support the Constitution, and committing an

open act of repudiation, unless some other method of redemption or payment is previously adopted and willingly accepted by the holders of the legal tender.

Furthermore, can the holders of legal tender — a recognized and liquidated debt — be constitutionally coerced to extend the time of their redemption beyond January, 1879, without payment of interest on such deferred payment? Lord Mansfield, in one of the standard English cases (2 Burr, 1077, 1086), lays down what may be considered as a recognized legal axiom. "Where money," he says, "is made payable by an agreement between parties, and a time given for the payment of it, this is a contract to pay the money at the given time, and to pay interest from the given day, in case of a failure of payment at that day." In the case of Thorndike *v.* United States (Mason, p. 1) the United States Circuit Court (Justice Story) held, that a Treasury (United States) note, payable in one year with interest, draws interest until paid by the government "in the same manner as a private contract." And in the case of Erskine *v.* Van Arsdale (15 Wallace, p. 77) the United States Supreme Court (Chief Justice Chase) said, "the ground for the refusal to allow interest [on the part of the United States] is the presumption that the government is always willing and ready to pay its ordinary debts." By all rules of law, business precedents, and precepts of morality, therefore, the Federal government, in case of unwillingness, inability, or failure to pay or discharge its obligations at an agreed time, is obligated and must be considered to have contracted to pay interest from the date of such failure or inability. The date of payment is obviously of the essence of the contract. The refusal to pay at maturity a six per cent promise, for a period of sixteen years, is equivalent to a repudiation of a sum equal to what was originally promised.

Failure to pay is either temporary suspension or bankruptcy; but in a case of temporary suspension, debts, by universal law and practice, draw interest from the date of nonpayment. Now, if from any cause the government shall be unable to meet its negotiable and adjusted obligations on the 1st of January, 1879, the obligation to pay interest from the date of failure would be in full force and effect (the same as in a private contract), and the validity of this obligation, according to the Federal Constitution, cannot be questioned. Clearly, therefore, there is no alternative

for the government, on the 1st of January, 1879, but to either redeem its notes, or pay an acceptable rate of interest upon them, or go into bankruptcy and unconstitutional repudiation. Fortunately for the country, the constitutional amendments forever prohibit repudiation; and it is fortunate, likewise, that President Hayes, in his letter of acceptance as a candidate for the Presidency, has clearly expressed his firm conviction that constitutional obligations and national honor require that all national obligations, including legal-tender notes, must be paid according to existing law. He says: "*I regard all the laws of the United States relating to the payment of the public indebtedness, the legal-tender notes included, as constituting a pledge and moral obligation of the government, which must in good faith be kept.*" And no true American, jealous of the honor of his country, a supporter of the Federal Constitution, and a believer in the sacredness of contracts, can, it would seem, do otherwise than demand that the Resumption Act be carried out, and support the President in case of the contingency of a veto of any congressional enactment looking to postponement or repeal of the promise of resumption.

If from any cause the Treasury is unable to redeem legal tenders at the designated time, it is certainly competent for Congress, and also its duty, to order the notes presented for redemption to be stamped, and bear the current rate of interest from the day of demand. This is the legal, constitutional, and honest course, unless we propose to walk in the path of repudiation. Will it be pretended that the obligation to pay interest on an overdue negotiable legal-tender note of the government is any less binding than on an overdue negotiable bond? Will any one assume that government has the right to postpone the payment of an overdue bond without payment of interest on the same? There is an old maxim equally applicable to government as to individuals, "that there is no person so poor that he cannot give his note with interest for his debts."

The propriety of funding, prior to 1879, legal-tender notes in given or unlimited amounts has been suggested as an aid to resumption, and such a measure may be considered desirable. But it must be evident, if the analysis of the law and the co-relative provisions of the Constitution as above given be correct, that the government has already agreed in the Resumption Act to fund, or,

what is equivalent, to pay interest on any part of the legal-tender notes, which it may fail to redeem on presentation at the time and place specified. The Redemption Act is, therefore, equivalent to a funding act under certain circumstances.

It is not probable, however, that a contingency of a default on the part of the government under the Redemption Act can occur. The Secretary of the Treasury has been given ample powers to "prepare" for resumption before the 1st of January, 1879, and to "provide" for resumption after that date. He is authorized to sell bonds to any extent necessary to carry the act into effect, bearing 4, 4½, or 5 per cent interest, at his discretion. Five per cent bonds are far above par now; and will undoubtedly command par in gold on and after January, 1879, if the policy of the government is free from all taint of repudiation. Under such a condition of things there is no way to prevent redemption under existing laws except for Congress to propose or enact measures injurious to the credit of the government. For if an unexpected amount of legal-tender notes should be presented at a given day for redemption, beyond the amount of coin at the immediate command of the Treasury, the credit of the government being unimpaired, the sale of bonds would proceed; giving ample means, within a brief period, for a renewed redemption: and thus, after redemption once commences, it must go on, as it were, automatically; the legal-tender notes, by the circuitous action of the sale of the bonds for gold, and the exchange of legal-tender notes for gold, being practically convertible into a five per cent ten year gold bond, if the government cannot obtain gold at a less rate.

The issue before Congress and the nation is, then, as follows: redemption under the present act, payment of interest from date of default, or repudiation to the extent of the interest refused; and repudiation cannot be brought about without positive measures on the part of Congress, which are sure to be alike condemned by the veto of the Executive and the judgment of the country.

The apprehension of the country in respect to the effects of specie resumption suggests the story of the man who, walking one evening in a deserted mining region, fell into a pit. Grasping, however, as he fell, a projecting root, he hung suspended in the dark over what he regarded as a terrible abyss, until his

strength failed him, when, saying his prayers, repenting of his sins, and commending his soul, he let go and fell — *about six inches.* His hair, nevertheless, is said to have turned white. If specie payments, by resolute, determined effort, were to be brought about to-morrow, everybody, the next day, would draw a long breath, and involuntarily exclaim, "Is that all?" And the day after they would begin to ask, "Wherein is the benefit?" The benefit would not be seen at once; national prosperity will not come back through resumption alone. But it would be as in the case of a workman who exchanges a bad tool for a good one. He would recognize the benefit of the exchange when he began to work, and found he could do more and better work, and with less effort, with the new tool than he could with the old.

DAVID A. WELLS.

Opinion of Thomas Ewing.

THE purpose of the Resumption Law is to destroy the greenback currency. It was hid by its author under the word "redeem." The law was framed in a caucus secrecy as profound as if the act meditated were a crime instead of a great measure of public policy. The part of a day permitted to the Senate for its consideration was spent in extorting from Mr. Sherman an indirect admission that to "redeem" meant to pay and destroy. This interpretation is approved by the Treasury Department in destroying the fractional currency when redeemed, — the same language being used in providing for redemption of that currency as for redemption of legal tenders. Secretary Bristow affirmed this construction in his report for 1875, saying that "*the faith of the government now stands pledged to the final redemption and removal from the currency of the country of the legal-tender notes as fast as they shall be presented for redemption*"; and Secretary Morrill reaffirmed it in his report for 1876, saying that by the Resumption Law Congress "*declared, in effect, a monetary system composed of coin and national bank notes redeemable in coin.*"

That the law will effect the early and complete destruction of the legal tenders is obvious. A very large accumulation of gold

in the Treasury is not necessary for the purpose. The amount of redemptions per day will no doubt be limited to one or two millions, which could be furnished by a patriotic syndicate in exchange for five per cent bonds. In fact, the New York gold ring alone could supply the most of the coin needed; for it would flow through the Treasury and back to Wall Street without disturbing the gold market much more than the water drawn through a mill-race disturbs the general course and current of the stream.

But will all the legal tenders be presented for redemption? The *people*, for whose use they were issued, do not want them redeemed, but do want them preserved as the best paper currency they ever had or ever will have. Yet, after resumption day the Treasury will be the great supplier of gold to the banks, to all who must ship coin to meet foreign debts or expenses, to importers, to the bulls and bears of the gold ring, to the curious and the cautious who want to hoard it. These large and incessant demands will send legal tenders to the Treasury for payment and cancellation as fast as the gold can be paid over its counters, until they all shall have been redeemed and destroyed.

Our currency will thus be contracted over one half; for it is obvious that no other currency can take the place of the legal tenders. The banks cannot supply their place with new issues redeemable on demand in gold. They have already in effect declared their inability to maintain even the whole amount of their circulation existing when the Resumption Law passed, by a net surrender of thirty-seven millions of their currency up to August 1, 1877. Nor will gold go into general circulation to supply the place of paper money redeemed and cancelled, for the very demands which will cause it to be drawn from the Treasury will still exist to send part of it abroad and keep the rest at home withdrawn from general circulation.

That resumption can be *reached* without further contraction is true; but it cannot be *maintained* without a rapid reduction of our effective circulation to one third or one fourth of its present volume. The reasons are obvious. We have not the coin indispensable to float a considerable volume of redeemable paper; we cannot get it; and we cannot keep it. We had two hundred and eighty-five millions of coin in 1860; our mines have supplied probably seven hundred millions since, and yet we now have but one hundred and

fifty millions left. It has nearly all been shipped abroad to pay coin debts and expenditures. We owe abroad each year about one hundred and fifty millions for coin interest on national, State, city, railway, and other bonds; and we expend for foreign shipping and foreign travel about one hundred millions more. In paying this annual interest and expense a favorable balance of trade sometimes helps us, though for the last seven years the balance has been against us, on an average, about thirty millions of dollars annually. This annual demand is paid in part by an average annual shipment of about fifty millions of coin and bullion, — more than the whole coinage product of our mines. The balance, amounting to from one hundred to two hundred millions a year, we pay by negotiating new loans abroad,— thus making wider and deeper the compulsive current which sweeps the precious metals from our shores.

In this situation — having not a third as much coin as any other great people; having three times as much paper currency as was ever yet maintained redeemable in coin by any country, however rich in the precious metals; owing and expending abroad vastly more than any other nation, and therefore utterly unable to keep coin if extracted from foreign markets — resumption can only be maintained, if at all, by an enormous contraction of our paper currency.

The premium on gold is no criterion whatever of the amount of contraction necessary to maintain resumption, or of the consequent fall in values. Mr. Sherman says it is. So said Ricardo, the author of this British-borrowed scheme for starving the workers and fattening the drones. But though the premium on gold was but four per cent when the British Resumption Law was enacted, its execution compelled a contraction of the bank currency of forty-five per cent, and a consequent shrinkage of all values on the island, whether of land, labor, or product, in the proportion of the contraction of the paper currency. Our Resumption Law has already caused a contraction by cancellation and by hoarding, and a consequent average fall of values, of full forty per cent.

Before this law was enacted, our business and values were adjusted to a volume of about $750,000,000 of currency. The amount was not excessive. It was but $17.50 per capita; while

France, the most prosperous nation on earth, has $45, England $34, and Germany $24. We need a larger volume than any of these nations, for they are mere patches on the earth's surface, covered with cobwebs of railways, and their exchanges are rapidly transacted; while we are spread over a vast continent, largely unimproved, and our exchanges are comparatively slow.

The effect of the contraction necessarily involved in the execution of this law will be to double and probably treble or quadruple all debts and taxes by shrinking in that proportion the value of everything with which money can be got to pay them.

We are already the most heavily taxed people on earth. We pay for the support of general and local governments $750,000,000 annually, or $17.50 per capita; while the British pay but $11.00, the French but $11.41, the Germans $9.34, and the Austrians $7.22. The reduction of values already accomplished by the mere threat of the law has almost doubled the tax burden, and the people are already sinking under the added load. In Chicago 200,000 pieces of real property have been forfeited for taxes this year; other debtor communities are suffering almost equally; and relief, or repudiation is at hand.

The fall of values consequent on this law has already nearly doubled all private debts, of which the aggregate is about $7,000,000,000, or three and a half times our national debt. The debtor class so-called are the chief workers of the land. This law robs them of their property, closes their mercantile and manufacturing establishments, and sets adrift with them millions of laborers to sink into pauperism, vice, and despair. It is estimated by "Harper's Weekly" that already three millions of wage people, men, women, and children, are in enforced idleness. Their loss of daily pay at an average of seventy-five cents is two and one quarter millions of dollars a day, or $700,000,000 a year. This is exclusive of many millions of laborers who still have work on reduced time or lowered wages, and are hanging on the ragged edge of the chasm into which their fellows have already fallen.

This law enacts a robbery of debtors, tax-payers, and laborers more gigantic than ever was perpetrated by a conquering on a conquered people. It ought not to be, and cannot be, executed. If permitted to stand, it will bring on a general destruction of business, and more dire and widespread woe than the great Rebellion

itself inflicted; and it will at last go down in a tempest which will shake our social fabric from turret to foundation-stone. Let it be forthwith repealed. Let us withdraw the threat of contraction and permit our industries to revive and prosper. Let us devise measures to bring home our foreign debt; issue legal tenders in place of bank-notes, and with the new issue buy up and destroy a part of our bonds; open our mints again to the free and unlimited coinage of the old silver dollar; bring all our money to one par by making it all equal legal tender except where otherwise provided by contract; and when our paper, silver, and gold dollars are of equal value, we need not fret about resumption of specie payments.

THOMAS EWING.

Opinion of Joseph S. Ropes.

THE real difficulty before us lies not in the resumption of specie payments, but in the re-establishment of the specie standard. The exchangeable value of money, like that of any other commodity, can only be permanently established by a long period of demand and supply, of production on the one hand and consumption or employment on the other. This is, of course, entirely distinct from what is ordinarily understood by the demand for money and its supply, which really means the demand for temporary loans of capital or of credit. When all commodities can be exchanged at will for gold and silver coin, or, which is the same thing, for paper promises which can be exchanged at will for gold and silver coin, an equilibrium is established among all commodities, the prices of most of which continue uniform and almost identical from year to year unless when affected by specific causes, such as the failure of crops and other influences too numerous to mention.

Now for more than fifteen years no such state of things has existed, and, consequently, no equilibrium of exchangeable values has existed. It is true that gold and other commodities have been continually in the market, and have been indirectly exchanged among themselves; but the medium of exchange, instead of being coin possessing the elements of definite and stable value, has been a multitude of paper promises, definite indeed in form,

as they all promise to pay dollars, and are issued in the name of a nation abundantly able to make good its promise, but which have been allowed to remain unredeemed for so many years as to make their ultimate payment a matter of serious question, and even to give rise to disputes and elaborate arguments whether they ever would be or ought to be paid at all.

During this prolonged period of uncertainty the wants of the community and the demands of civilization have had to be met, and, consequently, the various industries of the people, however depressed in some directions and unnaturally stimulated in others, have gone on, though in a way far from satisfactory and often ruinous in its result. Every commodity alternately raised and depressed in nominal value, every business pursuit alternately prosperous and disastrous in its character, every speculation both in its inflation and its collapse, has paid its heavy tribute to this vicious medium of exchange. And that it is not now doing as much mischief as ever is due not so much to the small curtailment of its volume as to the ruin which it has produced and the consequent inability or unwillingness of the public to be further deluded and impoverished by it. Assuming, as we may do, that all honest men who understand the situation earnestly desire the restoration of the specie standard of value, it becomes a most serious practical question. Can this object be effected, and if so, *how* can it be effected with safety to the community? To understand the danger involved we must remember that the habits of all communities are for the most part very uniform, and that their average supplies of commodities are but little in excess of their actual wants. A comparatively slight deficiency in the crops of bread-stuffs will cause a most disproportionate advance in their price. So a comparatively small curtailment of the quantity of money or of credit which answers the purpose of money may cause an almost incredible amount of suffering and even insolvency. For every debtor who fails to pay his debts takes away from the power of others to pay theirs. It is most desirable and important, therefore, that the amount of money or credit circulating in any community should neither be suddenly enlarged nor suddenly diminished. In the one case the result is sure to be wild and crazy speculation, as we have seen to our cost at home, and as Germany has seen to her cost within a few years. In the

other case debtors are distressed, property is needlessly depreciated, and the wheels of industry are clogged.

The amount of money circulated in any community is as rigidly determined by natural laws as the amount of corn or cotton or cattle or clothing or fuel. But when the place of this money is taken by irredeemable paper all natural laws disappear, and the problem both of quantity and of exchangeable value becomes a mere matter of conjecture depending on qualities too numerous and uncertain for circulation. We know, however, from statistics that before specie payments were suspended the banks of this country, with a practically unlimited power of issue, were able to maintain in circulation barely $ 200,000,000 of notes at par with gold, besides which there may possibly have circulated from $ 50,000,000 to $ 75,000,000 of gold and silver coin, besides the aggregate reserves of from $ 50,000,000 to $ 100,000,000 held by the banks. The amount of bank deposits, which is usually about equal to the total amount of notes and coin in circulation, was at that time some $ 250,000,000. Since then our population has increased at the utmost by one half, and we may therefore assume that from $ 300,000,000 to $ 400,000,000 of notes or notes and coin will circulate on a specie basis. All beyond this is mere supposition, without the shadow of a rational argument to support it.

It is often said, and with truth, that no one can tell how much paper currency can now be maintained in this country on a par with specie; but we may with equal truth assert that no prudent financier will undertake the responsibility of suddenly restoring the specie standard with $ 200,000,000 of circulating notes and nearly or quite as much of bank deposits equally redeemable in specie beyond the highest limit which the experience and analogy of the past warrants us in adopting for permanent circulation. Nothing is more flexible than money or credit when treated with caution and moderation; their volume may be enlarged or contracted with the utmost ease and safety, provided it be done so slowly as to give time for adjustment. But to assume that a huge pile of gold may be accumulated in the Treasury up to January 1, 1879, and then let loose to be scrambled for by an army of holders of bank-notes, greenbacks, and bank deposits without danger of most disastrous consequences, is surely to exhibit a lamentable ignorance both of the principles and practice of sound finance.

It is indeed often argued, or rather asserted, that when gold can be had in exchange for paper it will not be wanted, and therefore will not be called for; and the fact that the premium on gold has already declined below three per cent is urged in proof of this. But any banker knows that a premium of even one per cent or less, unless it could be overcome, would be sufficient to empty the Bank of England, and we have yet to learn by actual experiment how much it will take to bring our specie and paper to an equilibrium. The low rate of premium is no proof whatever that that equilibrium is nearly attained. Gold is now a mere commodity, and not in demand except in limited amounts for customs duties and occasional specific payments. The state of exchanges does not warrant its exportation to Europe, and like other surplus commodities it must be sold cheap or held patiently till it is wanted; but let France resume specie payments and go to war with Germany, or let England be entangled in a war, and how soon should we not see the premium on gold increased perhaps five or ten fold? It cannot be too emphatically repeated that in this matter we can trust to nothing but actual experience.

It remains only to indicate that we have in our hands a simple, easy, and most reliable method by which the conditions of the whole problem can be reduced to mathematical certainty. The one essential requisite of resumption is to reduce the volume of paper currency to a point at which it will stand on a par with specie, and to do this in a way so quiet and gradual as to produce no disturbance in the exchanges and financial transactions of the community. This can be done at once by authorizing the sale of four per cent bonds at par for greenbacks. This would be a partial fulfilment of the original promise made at the first issue of legal-tender notes and the violation of which is a standing disgrace to our government. There would be no danger of the process going on too rapidly, for if money became scarce the holders of greenbacks would find more profitable employment for them than funding at four per cent. But in truth money cannot become permanently scarce if this course is pursued, for all men will understand that the reign of inflation is over, and will take care to graduate their enterprises by their legitimate resources. It would be easy, moreover, to limit the amount so funded in every month.

This of course means contraction; yes, it does, — contraction of that which never ought to have been expanded, contraction of an instrument too weak to do its work, contraction of a promise too broad to be redeemed, of credit which has utterly discredited those who created it, of machinery powerless for good and potent for evil. *Nothing but contraction will ever bring us to specie payments.* We have our choice whether to contract gently and quietly from week to week and month to month until the parts of the financial machine slip almost imperceptibly into their place and the whole mechanism is again in order and at work, or we may stupidly pile up our bags of coin by scores of millions for fifteen months to come, only to see them disappear with the rush and destructive power of an avalanche or a mountain torrent.

JOSEPH S. ROPES.

Opinion of Secretary Sherman.

The editor of the North American Review lays before me several papers, prepared by gentlemen of distinction, upon the general subject of Resumption, presenting opposite views, and asks me briefly to comment upon them. This I could hardly do in a short statement, nor is it necessary, perhaps, as the mistakes and exaggerations of extreme opinions are sufficiently illustrated and answered in the opposite views of the writers of these articles. Perhaps the editor will be satisfied, in his commendable search after truth through discussion, with a brief reply to some of the general positions taken by the two opposing sides on this question.

Judge Kelley and General Ewing may fairly be said to represent the inflation or extreme paper-money view. The substance of their papers is an eloquent but rather overdrawn picture of the financial distress through which we have recently passed; but the great error into which they have fallen, and into which it is strange that men so acute of intellect as they are should fall, is to attribute this financial distress to the Resumption Act, instead of to its real and only cause, the unparalleled inflation of paper money and credits during and since the war. The losses by the Chicago fire of 1872, the still greater trouble that culminated in

the panic of 1873, all the losses, failures, distress, and embarrassment, the reckless and foolish accumulation of municipal debts, credits, devices, and frauds, the natural effect of inflated and depreciated paper money, — all these they absurdly charge to an act of Congress that was not passed until January, 1875. Only one provision of this act — that to substitute silver money for fractional currency — had been partially put in force previous to March last. No other important step under the law had then been taken, and since then in its practical results it has been one of the chief causes of our present improved and improving financial condition. It is strange that in the writings and speeches of these gentlemen they overlooked the fact that the panic of 1873, and all the wild and visionary schemes that preceded it, together with all the train of events that led to every failure that has occurred since, had been fully consummated before the Resumption Act was passed, and that the Resumption Act was the remedy provided by Congress to check and cure these evils, and is now in full tide of successful execution. Their eloquence is wasted, except to show that depreciated and inflated paper money has produced in our country, as it has produced in other countries, the same result of stagnation, distress, bankruptcy, and ruin; that war, which makes necessary a depreciated and inflated paper money, is the primal cause of these troubles; that it was so after the war of the Revolution, after the great wars in Europe, and would have been even worse in our own country but for its wonderful vitality and resources. If at the close of the war we had promptly taken steps towards specie payments, much of the evil would have been avoided, and the municipal and private debts which now burden our people would never have been contracted. The postponement of resumption was a great error, but was partly excused by the destruction of values caused by the war and by the exaggerated fears in the popular mind of contracting the currency to a peace standard.

My only reply to these gentlemen would be that the distresses they complain of were the direct, certain, and unavoidable result of the very policy of inflation which they favor, and that it would be just as idle now to keep up this inflation with the hope of prosperity as it would be to advise a drunkard to keep on drinking in the hope of reform.

To attribute failures and distress to the Resumption Act instead of to depreciated paper money is but a repetition of the complaint of the wolf against the lamb for roiling the water. It is like swearing at the doctor for causing pains in administering remedies for a raging fever. The homœopathic doses administered under the Resumption Act prior to March, 1877, had one virtue, if no other; they could do no possible harm, if they did not do any good. Since the 1st of March the steps taken for resumption have been so rapid and marked as to produce important direct results, but they have been constantly accompanied with advancing prosperity, increasing trade, and have given us the first broad glimmering of returning light after a period of distress and trouble.

The Resumption Act was intended by Congress as a remedy for the evils under which we were then suffering. It was passed seventeen months after the panic of 1873, and when we were in the midst of all the evils of inflation. The experiment of further inflation to cure inflation was fairly, though illegally, tried by throwing into the maelstrom $ 26,000,000 of United States notes that had been retired and cancelled. Every device for relief, as well for resumption as for expansion, had been fruitlessly discussed in Congress without agreement. The subject in every phase had been considered by the people during all that time. In the fall of 1874 public sentiment had crystallized in favor of some step towards the resumption of the specie standard. This led to the passage of the Resumption Act. This act was simply a declaration that we would restore the value of our paper dollar to the specie standard by the 1st of January, 1879. The mode and means by which this was to be done were not pointed out as they ought to have been, but the details were left to the Secretary of the Treasury, and the powers conferred were ample and definite. This remedy was the natural one, the one that all nations have prescribed, the one that our fathers followed after the Revolution, which England and France have more than once followed, and which every nation must follow that is driven for the time from the specie standard. No human device has ever sufficed to relieve a nation that adopts irredeemable paper money from the necessity of returning to the only natural standards of value,— gold and silver. This act was passed as the result of wide differences of opinion that could not be reconciled, and did not contemplate sudden changes or movements.

Four years were allowed to prepare and to provide for resumption. Thus far, prior to March last $ 28,743,318 silver was substituted for $ 17,074,317 fractional currency retired; no gold was accumulated, and greenbacks were retired only to the extent of eighty per cent, as national bank-notes were issued. This plan of resumption is confessedly not a perfect plan, and almost every one has desired to make amendments to it, but it is the only one that Congress would grant, and it is now demonstrated that under the provisions of that act the specie standard can be reached by the 1st of January, 1879. I repeat what I have said elsewhere, that resumption can be, ought to be, and will be secured if this law is not repealed by Congress.

And here I should refer to the papers submitted by Mr. McCulloch and Mr. Ropes, all very well stated, all very well written; and with many of their ideas I heartily agree. But what is the use of talking about other plans of resumption? The idea suggested by these gentlemen was advocated in Congress for years. A simple funding act was proposed by the Committee on Finance in 1866, and was pressed year in and year out. In the original draft of the funding act, now a law, United States notes were convertible at the will of the holder into four per cent bonds precisely such as we are now selling at par in coin. With this feature the bill passed the Senate, but the House refused to pass it. No proposition has been more frequently urged and acted upon adversely by Congress than that now advocated by Messrs. McCulloch and Ropes. What is the use of wasting ammunition on this? What is the use of delaying resumption until Congress will pass such an act? If Congress would pass such an act it would greatly aid and expedite resumption, and I cordially join with these gentlemen in the hope that such a bill will pass, and advise them, if they think they can promote it, to get into Congress as soon as possible to help. I have tried the experiment with much labor and no success. What, then, is the use of distracting attention by new plans of resumption? I receive on an average about one a week, some of which are wild, and some of which contain very good ideas. I could furnish from the files of the Finance Committee as many plans of resumption as there are cities in the United States. But it is manifest to practical men that no legislation can be obtained from Congress except some simple measure that will aid the execution of the present law, the

danger being rather that the opponents of resumption will be strong enough to arrest the movements already made in that direction.

Now, dismissing for the moment the extremes of opinion on resumption, the practical question is, What ought to be done now? Shall we abandon the progress already made towards a specie standard, and commence again the wild round of experiments on interconvertible bonds and paper money, without promise or hope of redemption? Shall we repeat again any or all of the financial fallacies which have marked the history of mankind, or shall we go steadily forward until we can base all our transactions upon that money which by the experience of mankind is proved to be the best possible standard of the value of all labor and productions?

Mr. McCulloch says truly, that if any party should undertake, in the face of the present movement towards resumption, now assured of success, to reverse that policy, it would do not only a wrong thing, but a very foolish thing. But is it not equally foolish for the friends of resumption to now dispute longer as to the best plan of resumption? If all the people were agreed as to the policy of resumption, we should have strength enough to divide as to the means, but when we have barely a majority in favor of resumption at all, is it not better to cling to the plan now in process of execution?

Many new questions are thrust into this controversy that ought not to embarrass resumption. Thus, General Ewing insists that resumption means the entire extinction of the greenback circulation. No doubt many persons are in favor of withdrawing these notes or repealing their legal-tender quality, but this is a question properly for the future, my own conviction being that, under existing law, after they are reduced to $300,000,000 and have been redeemed, they may be reissued, and that the national bank currency should be used simply to meet the ebb and flow indispensable to every good currency. But this may be determined by Congress either way without affecting the virtue of the law.

So the silver question, entirely within the power of Congress, may be made a most essential aid to resumption if confined either in the amount or mode of issue or in its legal-tender quality. If issued without limit upon the demand of a depositor of silver bullion, it is the substitution of a single silver standard instead of the

gold standard. Whatever decision Congress may arrive at on this question, the Resumption Law must stand, to prevent our paper money from falling below the specie standard fixed by Congress. At present paper money is worth more than silver, because the market value of silver bullion is greatly depreciated. The expectation of the redemption of our paper money in gold, with our demonstrated ability to do so, has brought it nearly to the standard of gold. If silver alone should be adopted as the standard, the paper will fall even below that standard, unless resumption in silver is provided for by law.

The existence and power of the national banks depend entirely upon the will of Congress. Banking is now free, and this provision of law is a happy and wise expedient to prevent any sudden contraction of the currency, or, as now, to meet an unusual demand for currency. The Comptroller of Currency is prepared to issue promptly any amount of bank-notes that will be required. The provision for the redemption and retirement of this currency is now in successful operation, and may be continued in specie-paying times as now, but Congress has power to further limit or restrain this issue, or to make any further provisions necessary to secure the prompt redemption of bank-notes.

These are all questions apart from the Resumption Act, which is intended to secure the free conversion of United States notes into coin, such as is now provided, or may hereafter be provided, by Congress.

There is only one other point as to the Resumption Act that it is necessary to mention, and that is the ability under it to secure resumption. This, I submit, has been demonstrated. The accumulation of coin and the gradual retirement of United States notes will unquestionably, if continued, produce specie payments before the time fixed by law. The rapid changes that have already been made in the value of United States notes by the policy adopted for the last six months have been marked and decisive, and this has been accompanied and followed by a great improvement in all branches of industry, and has been favored, no doubt, by Providence in the gift of a large crop, for which there is a ready demand.

The brightest lining of the dark cloud depicted by some of the writers of these papers is to be seen in the steady pursuit of this

policy of resumption. If the friends of resumption will only be content with the plan of resumption that is now upon the statute-book, securing only such additional legislation in aid of resumption as Congress, in its wisdom, may see proper to grant, there need be no fear of the result.

We need not raise the question presented by Mr. Wells, nor do I see that it would be effective, for, if a law is passed repealing or modifying the Resumption Act, there is no authority in our government that can restrain its execution. Nor is it to be presumed that Congress will do anything to impair the public faith pledged to any portion of its creditors. Popular commotion always stops short of this. There is no tradition of the national government more sacred than that which holds it to a rigid, faithful observance of the public faith. It is by this alone we are enabled to sell our bonds bearing four per cent interest at par in coin. The confidence thus inspired and thus evidenced is the best property of the nation, worth more in times of adversity than all the gold and silver that can be accumulated.

JOHN SHERMAN.